

Five Ways to Make an Audit Easier

There are several reasons why a nonprofit organization might undergo a financial audit. In addition to allowing you to comply with debt covenants or satisfy an accreditation or membership requirement, an audit can also serve as an accountability tool and best practice.

If you're like many people, however, an audit can seem about as appealing as a root canal. The key is recognizing that just like a dental appointment, an audit can provide significant value — and proper preparation can make the process easier.

We've put together five tips to help make an audit less painful and provide you with maximum benefit.

1. Choose a professional you feel comfortable with.

Just as you should choose a competent dentist you feel comfortable with, selecting the right auditor is important to ensuring a successful relationship. You need an engagement team that understands your organization and can provide valuable insight and recommendations. Look for an auditor who is very competent and experienced at working with nonprofit organizations. Remember that you are choosing a partner in your mission, not just a professional who can provide a signed audit opinion at the end of the engagement.

2. Be clear about deadlines.

If you have any particular deadlines, such as bank submissions, audit committee and board meetings, or grant deadlines, be sure to communicate them to your engagement team early in the process. Clear communication from the start can minimize surprises and delays.

3. Prepare ahead.

Your engagement team will provide you with a list of items to prepare before their arrival. It is important to gather these items and be fully prepared when your auditors arrive on-site. Also be prepared for your auditors to request additional reports and information based off the items you supply. It's a good idea to note any new reports that are requested so the items can be added to the preparation list for the next year. And just as you shouldn't wait and reconcile the bank statement once a year, there

are items and reconciliations you should prepare throughout the year. You should consider reconciling your donor system to the general ledger contribution accounts monthly and comparing Form 941 to the salary accounts quarterly. You can also file copies of invoices for purchases that will be capitalized as an asset in a separate "audit file."

4. Set completion timeframes.

As much of the audit should be completed as possible while the auditors are at your office. If there are any open items, set completion deadlines before they leave.

5. Implement your auditors' suggestions.

For a nonprofit, the most valuable part of an audit is often the management comment letter. A good auditor will highlight any areas of control deficiency and other concerns, and will provide suggestions for improvements. To take full advantage of your audit, your organization should implement these suggestions as appropriate. This can also help to make the audit process even smoother in future years.

Whether you have been concerned about an audit or unhappy with your current process, these steps should help make audits easier.

About CapinCrouse

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